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# INFORM

CENTRAL INTELLIGENCE AGENCY

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# INFORMATION REPORT

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25X1A

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SUPPLEMENT TO  
REPORT NO.

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1. The direction of Czech foreign trade is rapidly shifting from West to East. In 1948 about 30-35% of Czechoslovakia's foreign trade was with Eastern orbit countries, but by 1950 this percentage had grown to about 60%. The 1951 plan provides for about 65% and by 1953, about 80% of Czech foreign trade will be with the Soviet Union and satellites. Enclosure (A) lists Czech imports and exports and the areas concerned in the trade.
2. In addition to the shift in direction, economic integration among the satellites is carried on through the increasingly predominant role of CEMA in foreign trade planning and implementation. All foreign trade plans are worked out in CEMA in Moscow and then handed to the Czech State Planning Office which in turn breaks them down and passes them to the various ministries whose job it is to distribute them further to the various factories or foreign trade monopolies. A counter plan, based on submissions of individual plants and foreign trade monopolies, is also made. This counter plan is coordinated with the CEMA plan at the level of the ministries and the State Planning Office. It is likely that the CEMA gives instructions along broad lines to the State Planning Office and the plans submitted by the latter undergo several revisions and are constantly being amended in the course of the coordinating and revising function of the CEMA. I have no intimate knowledge of the actual working relationship between the CEMA and State

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Planning Office. This, like matters pertaining to trade with the USSR, is known in the Ministry of Foreign Trade only to the minister, his deputy and Goldmann, the Czech representative on CEMA. Enclosure (B) shows the relationship between the offices concerned with economic planning

3. In the Soviet orbit the closest economic ties were developed between Poland and Czechoslovakia; this happened at a relatively early stage in postwar development. The economic agreement concluded in 1947 or 1948, [redacted] Note: The Convention for Securing Economic Cooperation was concluded on 4 Jul 47 but was not ratified by the Czech Government until 18 Mar 48, established a pattern of cooperation by establishing the Polish-Czech Council of Economic Cooperation. The convention provided for a long list of agreements encompassing trade, payments, communications, technical scientific aid, and established a number of mixed commissions under the Council dealing with the various phases of economic integration. This pattern has been extended to other satellites and was finally combined in the CEMA. I do not believe it is Moscow's intention to promote regional economic integration within the orbit, though this does seem indicated by the close tie-up between Czechoslovakia and Poland and the more recent efforts to include the German Democratic Republic in this set-up. I think the impression of closer ties between certain satellite countries than between others is due partly to basic geographic and economic factors and partly to historical developments. The ultimate goal is a complete integration of the entire orbit on an equal basis under the all-encompassing CEMA. 25X1A
4. Czech trade with the USSR is conducted primarily for the benefit of the Soviets, with the USSR obtaining undue advantages and the entire Czech economy serving the USSR. Pricing of commodities in trade with the Soviets definitely favors them, and the commodity lists agreed to under the trade agreement are absolutely binding. The latter is true of all trade agreements between the satellites but the agreements with the Soviet Union also provide for extremely heavy penalties for non-fulfillment. I am not sure whether the penalty clauses are part of the agreements or whether they are incorporated in contracts between the foreign trade monopolies under the agreements. Czech exports to the USSR consist largely of machines, spare parts, rolling mill products, leather goods, textiles, light machinery, bicycles and all traditional Czech export wares. Imports are grains, butter, meat of bad quality, manganese ore and cotton. Czechoslovakia imports no non-ferrous metals from the USSR.
5. Czechoslovakia's trade with Poland has not developed in a satisfactory manner. Clearing under the trade agreement has usually been exhausted to the benefit of Poland. Poland has been tardy in the deliveries of coal, meat and zinc. Other imports from Poland include salt and metalwares. The principle exports from Czechoslovakia are capital goods, but under the technical agreement Czechoslovakia provides know-how on processes ranging from machine construction to glove-making. In this exchange, Poland pays only the wages of the personnel engaged in the preparation of necessary documentation. Poland has provided no technical know-how for Czechoslovakia. 25X1A [redacted] Note: This corresponds to the technical agreement between the German Republic and Poland. East German sources claim that contributions are made only from Germany

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to Poland; and it is known that payments are made only for the wage and salary expenditures, plus 62% overhead costs. The explanation given for Czechoslovakia's apparently receiving the short end of the bargain is that Czechoslovakia obtains joint ownership rights in Polish enterprises. I know of only two such enterprises: the power plant at Dwory and the steel foundry in Trinec. The power plant in Dwory is jointly owned by Czechoslovakia and Poland. Czechoslovakia contributed machinery and Poland construction materials, coal and manpower. Both countries share the power output of the plant. As far as I know, the Trinec foundry is not yet jointly owned, but that is planned.

6. Difficulties have also arisen in Czechoslovak-Hungarian trade. A principal reason is that the Hungarians have not fulfilled their obligations for delivering oil seed under the trade agreement. As a remedy, Czechoslovakia is now leasing oil seed fields in Hungary. I know nothing of the extent or success of these leases.
7. In trade relations with Rumania, Bulgaria and Albania, Czechoslovakia acts as a sort of UNRRA, delivering essentials and receiving non-essentials. Trade relations are usually strained because of continuous non-fulfillment of obligations on the part of the other countries.
8. Trade relations with China are only in the initial stage but foreign trade officials in the ministry see great prospects in the development of such trade. Plans are to transport goods by rail, as it is desirable to keep the volume and composition of the trade secret, and this would be difficult to accomplish if Western ships were to be used. The Polish merchant fleet will be insufficient for the next two years to carry the required cargo, and use of Soviet ships has apparently not been considered. I never heard any doubts expressed concerning the ability of existing rail facilities to carry the expected volume.
9. Although the importance of Western trade is diminishing, Czechoslovakia still depends upon the West for a substantial list of imports. Of these the most important are copper, tungsten, wolfram, iron ore, rolled steel, machine tool steel, ball bearings, diamonds, cotton, wool, hides, peanut oil, fatty acids, train oil and coffee. The reduction of Czech dependence on imports from the West is pursued as a matter of principle and with high priority. Western efforts to deny strategic materials have given rise to considerable propaganda and accusations against the West and some thought was given to countermeasures, but I don't know what they were. I do not believe the authorities were excessively concerned with these developments, however. /Enclosure (C) lists Czech shortages./
10. I do not know a great deal about illegal trade, but the Communist regime of course exploits all means to obtain vitally needed goods. I believe Eupex and Impex are organizations which retained a front of private enterprise in order to maintain more advantageous trade relations with

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the West. Actually, they are state-controlled and surely must be engaged in illegal trade. I know little about Metrans, the Czech state forwarding monopoly, but I believe its facilities abroad must be used for the illegal procurement of goods.

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Enclosures: (A): Czech Imports and Exports  
(B): Relationship Between Offices Involved in Czech Economic Planning  
(C): Shortages in the Export Program  
(D): Arms Included in the Export Program

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Enclosure(A)

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<u>Commodity</u>	<u>Imports</u>	<u>Country of Origin</u>
Iron Ore		Sweden
Iron Scrap		USSR, Poland, West Germany Switzerland, Netherlands, Belgium, Italy (these countries probably trans- shipment points for US copper)
Zinc		Poland
Molybdenum		USSR, China
Tungsten		USSR, Germany
Wolfram		USSR, Germany
Cobalt		USSR, Germany
Ball Bearings		W Germany, Austria, Switzerland
Tool Steel		W Germany, Austria, Switzerland
Turret Lathes		Great Britain

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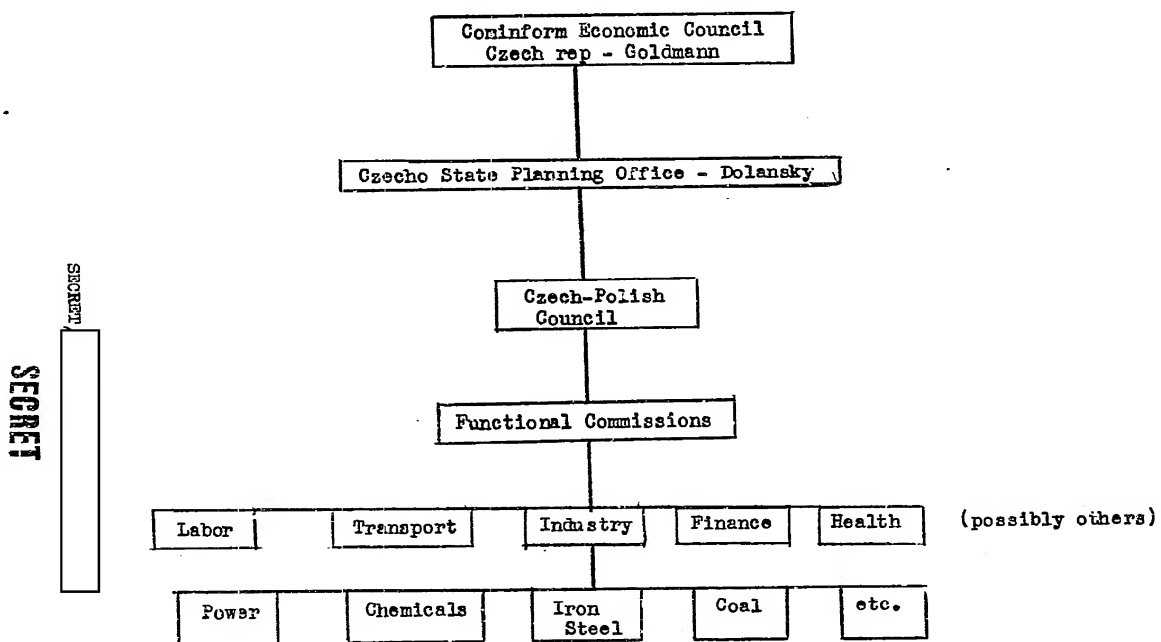
<u>Commodity</u>	<u>Exports</u>	<u>Destination</u>
Uranium		USSR
Brown Coal		W Germany, Austria
Foodstuffs (potatoes, butter, meat)		Germany (East & West), Italy, France, England
Lumber		E Germany, England
Cement		South America, Poland
Steel and other iron products		All satellites
Power Plants		All satellites
Leatherware		All satellites, US
Textiles		All satellites, South America, US, Canada
Light Industry Products		All satellites, USSR

Czech Imports and Exports

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Enclosure (B)

Relationship Between Offices Involved in Czech Economic Planning

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Enclosure (0)

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Shortages in Czechoslovakia

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<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
Copper	Aluminum	Feed
Zinc	Industrial Diamonds	Wood Processing
Cobalt	Cotton	Machinery
Molybdenum	Wool	Linseed Oil
Iron	Mineral Oil	Peanut Oil
Tungsten	Hard Oil and Fatty Acids	
Rubber		
Tool Steel		
Tool and Die		
Machines		

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Enclosure (D)

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Arms Included in the Export Program

Cannon parts, armor plate, aircraft engines (type unknown), small arms, communications equipment, optics, artillery shells, small arms cartridges, explosives (TNT, dynamite, nitroglycerine).  
Exporting firms included:

Skoda	Pilsen
Zbrojovka	Brno
United Steel works	Kladno
Vitkovice	
Stahlwalwerke	Trinec
Mannesmannwerke	Komastaru
Semten	near Pardubice
? NU	Vlasim

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